

# BancOhio Corporation



February 4, 1960

To the Stockholders:

The annual report of BancOhio Corporation is herewith presented for your consideration. The consolidated net income from operations of your Corporation and its twenty-two affiliated banks for the calendar year 1959 totaled \$5,321,561 after provision for applicable taxes and reserves for loans and exclusive of minority stockholders' equities in the banks. On the basis of the Corporation's shares outstanding December 31, 1959, the net income reported amounts to \$5.38 per share. On the same basis, the comparable income per share in 1958 was \$4.54.

Cash dividends paid in 1959 amounted to \$1,600,821 compared to \$1,482,052 for 1958. Four regular quarterly dividends of 40¢ per share and an extra dividend of 10¢ per share were declared, a total of \$1.70 per share. Cash dividends paid in 1958 totaled \$1.59 per share after giving effect to the 1958 stock dividend shares.

The 5% nontaxable stock dividend paid on December 16, 1959, reflects a capitalization of a substantial portion of the increase for 1959 in your Corporation's equity in the retained net earnings of the affiliated banks. As stated to you in previous years, the directors of your Corporation are convinced that the long-term interests of the shareholders and the future prospects of your banks are enhanced by the retention of the major portion of net profits. For 1959, the reported net income records a return of 11.6% on the book value of your stock constituting a further inducement for a major reinvestment of profits.

The capital and surplus of BancOhio Corporation at the close of 1959 totaled \$45,763,021 compared to \$41,933,641 at the beginning of the year, an increase of \$3,829,380 or 9.1%. The book value per share was \$46.28 for the 988,804 shares (including the 5% stock dividend shares) outstanding on December 31, 1959. On the same share basis, the adjusted 1958 book value per share was \$42.41. Your Corporation's equity in the capital of affiliated banks increased \$3,878,237 which includes increased capital investments of \$350,000 in the expanding operations of the Ohio State Bank and the Worthington Savings Bank. The retained net earnings of the Corporation provided the funds for these two commitments.

The increase in net operating earnings in 1959 was attributable primarily to expanded loan activities and to improved income from investments in securities. The total gross income of the banks recorded a 15.0% gain while bank operating expenses increased only 10.2%. More than half of the increase in operating expenses was due to the higher rates of interest paid on deposits — despite this important increased cost factor, the ratio of operating costs to gross income for your banks was reduced in 1959 to 58.8% from 61.4% in 1958. The final net income per share was 18.6% greater than the previous year's record.

On December 31, 1959, the BancOhio banks reported net total loans outstanding amounting to \$258,984,241. The 1958 report recorded \$220,405,516 in net loans. The increase in loans within this period amounts to \$38,578,725 and reflects the growing extent of your banks' participation in providing necessary local community financing for responsible credit requirements of large and small businesses and for individuals. In accordance with approved banking principles, this increased credit risk was cushioned by a net addition of \$675,770 to reserves for loans, charged against the year's net income. In 1958, the net addition to loan reserves was \$826,060.

In recognition of the very marked changes in interest rates and of the increasing credit requirements of the banks' customers, a significant portion of the banks' investment securities was marketed



to provide current funds and to permit reinvestments in shorter term obligations yielding a higher rate of interest. In this operation, losses from the sale of securities, net of reduction in income taxes, amounted to \$2,093,486 and of such amount, \$1,899,480 was charged to previously established reserves. As a result of these actions, we are confident that the BancOhio banks possess the reserve potential to continue to meet the legitimate increased credit requirements of the communities they serve.

The resources of the affiliated banks in 1959, as computed at each month end, averaged \$687,596,000 compared to \$692,967,000 in 1958. This reflects the effect of restrictive credit and tighter monetary policies of the federal authorities in their efforts to combat inflationary trends. However, it is gratifying to report that the savings deposits in the BancOhio banks increased from \$130,859,353 on December 31, 1958, to \$140,215,349 at the end of 1959. This is particularly reassuring in view of the intense competition for the savings dollar by all types of financial institutions.

In 1959, three additional banking offices were established to keep pace with the increased financial service requirements of the Columbus and suburban area. Effective remodeling was completed to provide for the East Broad Street banking room of the Ohio State Bank of Columbus. The public response has been remarkable and the bank's resources increased 40.5% in the year. A new branch office of the Ohio National Bank was established to serve the rapidly developing Berwick and adjacent areas Southeast. The beauty and efficiency of layout of this Berwick Office and its ample parking and drive-in banking facilities have been widely acclaimed. A third banking office of the Worthington Savings Bank was provided by remodeling a property in the village of Dublin in a manner appropriate to the character and atmosphere of that distinctive community. The high-type suburban development in the area should continue and we anticipate a modest but constant growth of the branch's business.

An important addition to the convenience of customers of the Main Office of the Ohio National Bank was the conversion of property owned by the bank immediately west of that office to parking purposes — this ample facility is extensively utilized and greatly appreciated by the bank's customers. Additionally in 1959, modernization of facilities and acquisition of new and improved equipment and furnishings was pursued in varying necessary degree in all 52 offices of the affiliated banks. The total expenditures for new facilities and improvements approximated \$750,000.

The proxy form enclosed with this report refers to the appointment of independent auditors; it is your directors' recommendation that Price Waterhouse & Company be reappointed. The proxy also contains a proposal to conform BancOhio Corporation's articles to the provision of the Ohio Corporation Code permitting a corporation, by action of its directors, to purchase its own shares when authorized to do so by its articles. This provision does not require the Corporation to buy, nor any shareholder to sell, any shares. There are no present plans for any purchases but circumstances may arise in the future where such authorization may be important to the Corporation's operations.

For the current year 1960 the liquidity and strengthened capital position of your banks provide assurance that the BancOhio banks should share commensurately in the profitability of the economic experience of the future. Our interest and security are closely tied to that of the responsible and conscientious citizens of our country who stand for a competitive free enterprise and prudence and conservatism in government expenditures and who stand against the uneconomic subsidization of special interests. The problems ahead are great but not insurmountable.

The affairs of the twenty-two BancOhio banks have been administered by a staff of 201 directors and 1453 officers and employees whose performance has produced the highest level of banking services in the thirty years of the Corporation's existence. To all of these persons, acknowledgment is made for a job well done in 1959.

Respectfully submitted,

Derrol R. Johnson  
President



**BANCOHIO CORPORATION**  
(Parent company only)

STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 1959

*Income:*

|                                       |                   |
|---------------------------------------|-------------------|
| Dividends from subsidiary banks ..... | \$2,036,276       |
| Interest .....                        | 98,421            |
| Other income .....                    | 375               |
|                                       | <hr/> \$2,135,072 |

*Expenses:*

|   |              |
|---|--------------|
| Salaries, sundry taxes and other operating expenses ..... | \$569,242    |
| Less — service charges to subsidiary banks .....          | 480,800      |
|   | <hr/> 88,442 |

|  |                         |
|--|-------------------------|
| Federal income taxes — estimated ..... | \$2,046,630             |
|  | 160,000                 |
| Net income for the year .....          | <hr/> <hr/> \$1,886,630 |

STATEMENT OF SURPLUS  
YEAR ENDED DECEMBER 31, 1959

|   |                          |
|---|--------------------------|
| Balance at December 31, 1958 .....  | \$23,118,621             |
| Increase in equity in net assets of subsidiary banks represented by:  |                          |
| Undistributed net operating income — after provisions for possible<br>future bad debts and loan losses .....  | \$3,627,824              |
| Net losses on security sales (after taxes) .....  | \$2,018,103              |
| Less — certain net losses on sales of U.S. Treasury securities<br>charged to reserve provided in prior years .....  | 1,825,210                |
|   | <hr/> \$ 192,893         |
|   | \$3,434,931              |
| Net income, per accompanying statement .....  | 1,886,630                |
|   | <hr/>                    |
| Adjustment for changes in minority interests in subsidiary banks .....  | 5,321,561                |
|   | 59,084                   |
| Surplus arising from issuance of 968 shares of BancOhio capital stock —<br>par value \$19,360 — for cash and for minority interests in subsidiary<br>banks .....  | 30,196                   |
|   | <hr/> \$28,529,462       |
| 5% stock dividend of 47,085 shares declared in 1959 from surplus from<br>increase in equity in net assets of subsidiary banks — at \$62.86 a<br>share, approximate market value at November 11, 1959* ..... | \$2,959,763              |
| Less — excess of market over par value* .....   | 2,018,063                |
|   | <hr/>                    |
| Amount transferred to capital stock account equal to the \$20<br>par value of the shares issued .....   | \$ 941,700               |
| Cash dividends paid — \$1.70 a share .....  | 1,600,821                |
|   | <hr/> 2,542,521          |
| Balance at December 31, 1959 (see note to balance sheet) .....  | <hr/> <hr/> \$25,986,941 |

\*In the surplus segregation shown in the note to the accompanying balance sheet \$2,959,763 was deducted from "Surplus from increase in equity in net assets of subsidiary banks" and \$2,018,063 was added to "Capital surplus".



# THE BANCOHIO BANKS

RESOURCES, CAPITAL AND SURPLUS, UNDIVIDED PROFITS AND CONTINGENT RESERVES — COMBINED AT DECEMBER 31, 1959

|   | Total<br>resources | Capital and<br>surplus | Undivided<br>profits and<br>contingent<br>reserves | Total<br>capital<br>(net assets) |
|---|--------------------|------------------------|--|----------------------------------|
| OHIO NATIONAL BANK OF . . . . .           | \$450,202,650      | \$22,000,000           | \$3,180,856  | \$25,180,856                     |
| OHIO STATE BANK . . . . .                 | 15,338,402         | 700,000                | 158,647  | 858,647                          |
| FIRST NATIONAL BANK OF . . . . .          | 7,560,915          | 475,000                | 83,907   | 558,907                          |
| FIRST NATIONAL BANK OF . . . . .          | 18,088,327         | 1,150,000              | 217,803  | 1,367,803                        |
| SECOND NATIONAL BANK OF . . . . .         | 4,351,680          | 325,000                | 86,600   | 411,600                          |
| FIRST NATIONAL BANK OF . . . . .          | 16,466,631         | 1,000,000              | 303,443  | 1,303,443                        |
| FIRST NATIONAL BANK OF . . . . .          | 13,587,668         | 850,000                | 141,252  | 991,252                          |
| KENTON SAVINGS BANK . . . . .             | 5,447,889          | 300,000                | 195,648  | 495,648                          |
| HOCKING VALLEY NATIONAL BANK OF . . . . . | 13,797,357         | 650,000                | 155,084  | 805,084                          |
| FARMERS & MERCHANTS BANK OF . . . . .     | 10,720,409         | 550,000                | 121,022  | 671,022                          |
| FIRST NATIONAL BANK OF . . . . .          | 7,140,410          | 475,000                | 78,229   | 553,229                          |
| FIRST NATIONAL BANK OF . . . . .          | 8,180,818          | 500,000                | 137,942  | 637,942                          |
| KNOX COUNTY SAVINGS BANK . . . . .        | 9,939,290          | 750,000                | 180,486  | 930,486                          |
| FIRST NATIONAL BANK OF . . . . .          | 23,302,234         | 1,500,000              | 211,426  | 1,711,426                        |
| PERRY COUNTY BANK . . . . .               | 3,324,424          | 175,000                | 71,861   | 246,861                          |
| THE NATIONAL BANK OF . . . . .            | 13,472,149         | 800,000                | 136,022  | 936,022                          |
| FIRST NATIONAL BANK OF . . . . .          | 35,355,419         | 2,200,000              | 513,614  | 2,713,614                        |
| FIRST NATIONAL BANK OF . . . . .          | 8,058,811          | 600,000                | 111,086  | 711,086                          |
| FIRST NATIONAL BANK OF . . . . .          | 8,624,506          | 450,000                | 128,556  | 578,556                          |
| FIRST NATIONAL BANK OF . . . . .          | 5,775,605          | 400,000                | 123,984  | 523,984                          |
| WORTHINGTON SAVINGS BANK . . . . .        | 13,801,806         | 750,000                | 61,089   | 811,089                          |
| CITIZENS NATIONAL BANK IN . . . . .       | 20,337,277         | 1,150,000              | 250,301  | 1,400,301                        |
| COMBINED TOTALS . . . . .                 | \$712,874,677      | \$37,750,000           | \$6,648,858  | \$44,398,858                     |
| Less — Minority interests . . . . .       |                    | 618,038                | 257,042  | 875,080                          |
| BancOhio Corporation equity . . . . .     |                    | \$37,131,962           | \$6,391,816  | \$43,523,778                     |



# THE BANCOHIO BANKS

## SUMMARY OF COMBINED TOTAL NET ASSETS AT DECEMBER 31, 1959

### *Assets:*

|  |               |               |
|--|---------------|---------------|
| Cash and due from banks (including \$4,984,913 due from affiliated bank) ..... |               | \$150,354,373 |
| Securities — at amortized cost:  |               |               |
| U.S. Treasury securities, less \$1,015,206 reserves .....                      | \$202,062,415 |               |
| State and municipal bonds .....  | 77,091,512    |               |
| Other bonds and securities .....   | 16,587,316    |               |
|  |               | <hr/>         |
| Stock in Federal Reserve Bank .....  |               | 295,741,243   |
| Loans, less \$5,914,035 reserves .....   |               | 1,077,750     |
| Banking premises and equipment, less depreciation .....                        |               | 258,984,241   |
|  |               | 6,717,070     |
|  |               | <hr/>         |
|  |               | \$712,874,677 |

### *Liabilities:*

|   |               |               |
|---|---------------|---------------|
| Demand deposits (including \$3,089,598 deposits of affiliated banks and BancOhio Corporation) ..... | \$477,844,196 |               |
| Time deposits .....   | 180,967,578   |               |
|   |               | <hr/>         |
|   |               | \$658,811,774 |
| Interest, taxes, etc. ....  |               | 2,482,126     |
| Unearned income .....   |               | 7,181,919     |
|   |               | <hr/>         |
|   |               | \$668,475,819 |
|   |               | <hr/>         |
| Combined total net assets .....   |               | \$ 44,398,858 |

## SUMMARY OF CHANGES IN COMBINED TOTAL NET ASSETS DURING 1959

|   |              |               |
|---|--------------|---------------|
| Combined total net assets at December 31, 1958 .....  |              | \$ 40,540,816 |
| Net income for 1959:  |              |               |
| Net operating income — after provisions for possible future bad debts and loan losses .....                     | \$ 5,780,798 |               |
| Net losses on security sales (after taxes) .....  | \$ 2,093,486 |               |
| Less — certain net losses on sales of U.S. Treasury securities charged to reserve provided in prior years ..... | 1,899,480    |               |
|   | <hr/>        |               |
|   | \$ 194,006   |               |
|   |              | <hr/>         |
| Contributions by BancOhio Corporation .....   |              | 5,586,792     |
| Received for issuance of capital stock to BancOhio Corporation .....  |              | 200,000       |
|   |              | 150,000       |
|   |              | <hr/>         |
| Cash dividends paid (\$2,036,276 to BancOhio Corporation) .....   |              | \$ 46,477,608 |
|   |              | 2,078,750     |
|   |              | <hr/>         |
| Combined total net assets at December 31, 1959 .....  |              | \$ 44,398,858 |



# BANCOHIO CORPORATION

(Parent company only)

(An Ohio corporation — Incorporated in 1929)

## BALANCE SHEET — DECEMBER 31, 1959

### ASSETS

|  |                     |
|--|---------------------|
| Deposits in banks (\$202,169 in subsidiary bank).....  | \$ 215,925          |
| U.S. Government and federal agency securities, at amortized cost (approximate market \$1,559,000) .....  | 1,639,469           |
| Notes receivable (including \$393,525 from directors of subsidiary banks) .....  | 568,525             |
| Investments in shares of subsidiary banks (acquired for BancOhio capital stock and cash) stated on basis of equity in net assets of the banks at December 31, 1959 ..... | 43,523,778          |
|  | <u>\$45,947,697</u> |

### LIABILITIES

|  |                     |
|--|---------------------|
| Federal income taxes and other liabilities — estimated ..... | \$ 184,676          |
| Capital stock — \$20.00 par value:                           |                     |
| Authorized — 1,300,000 shares                                |                     |
| Issued and outstanding — 988,804 shares .....                | 19,776,080          |
| Surplus (see note below) per statement attached.....         | 25,986,941          |
|  | <u>\$45,947,697</u> |

#### *Note:*

Accepting December 31, 1934 as a starting point and after deducting from "Surplus from increase in equity in net assets of subsidiary banks" \$10,297,690 for stock dividends declared from such surplus in 1956 through 1959 as permitted by law, the total surplus account would be segregated as follows:

|   |                     |
|---|---------------------|
| Capital surplus (net) .....   | \$ 8,092,261        |
| Surplus from increase in equity in net assets of subsidiary banks — since December 31, 1934 ..... | 14,720,730          |
| Earned surplus — since December 31, 1934 .....  | 3,173,950           |
|   | <u>\$25,986,941</u> |

Price Waterhouse & Co.

Fifty West Broad Street  
Columbus 15, Ohio  
January 15, 1960

To the Board of Directors of  
BancOhio Corporation

We have examined the December 31, 1959 financial statements of BancOhio Corporation (parent company only). Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, but we did not examine the financial statements of the subsidiary banks. However, for all subsidiary banks (except four, for which reports had not yet been completed) we reviewed the copies of the state and national bank examiners' reports presented to us covering examinations made by them during 1959.

The investments in subsidiary banks are stated on the basis of the parent company's equity in the net assets of the banks as shown by their December 31, 1959 financial statements, which were certified by responsible bank officials to be copies of the statements filed with either the Comptroller of Currency or the Division of Banks of the State of Ohio; as indicated in the preceding paragraph we are not in a position to take responsibility for such statements.

Based on our examination described above, and with the explanation in the Note to the balance sheet regarding the application of stock dividends, it is our opinion that the accompanying balance sheet and statements of income and surplus of the parent company — BancOhio Corporation — present fairly its position at December 31, 1959 and the results of its operations for 1959, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse & Co.*